



Hagler Bailly

Caribbean Tourism Investment Fund: Issues and Options

Caribbean Hotel Industry Conference
Cancun, Mexico

Barry Didato
Hagler Bailly Services, Inc.

June 27, 2000

Presenter: Barry Didato

- International specialist in sustainable tourism development policy formulation and tourism product development programming
- **Education:**
 - **Graduate:** Harvard University Graduate School of Design/Harvard Business School: Master's Degree in Real Estate Development. Focus: sustainable tourism products
 - **Undergraduate:** University of Massachusetts in Amherst, Massachusetts: Bachelors of Science degree in Environmental Design
- **Recent/Ongoing Project Experience:**
 - Experience on five continents for private investors, local to national government agencies, and multilateral banks
 - Completed a strategic tourism development plan for Costa Rica, now the fastest growing tourism destination in the Western Hemisphere.
 - USAID EAST III: the creation and implementation of a sustainable tourism development plan for Port Antonio, Jamaica
 - Co-managing the development of a sustainable tourism development plan for Egypt's Red Sea Coast, and for the Kingdom of Saudi Arabia, the largest most comprehensive plans of their kind worldwide
- Mr. Didato has authored numerous articles and is a regular lecturer on tourism sustainability issues and hotel/resort development at many domestic and international forums

Different shades of “green”

Green washing

Green Hotel

Ecolodge



Public relations

Full compliance

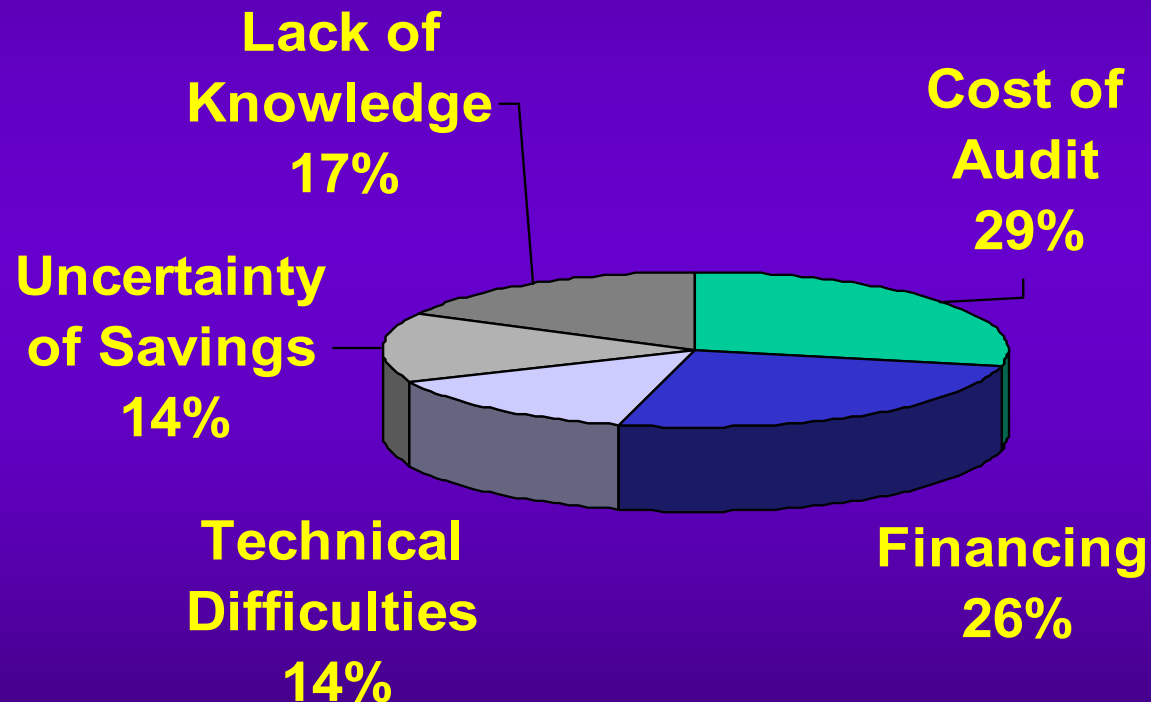
Best management practices

EMS Certification

Nature conservation

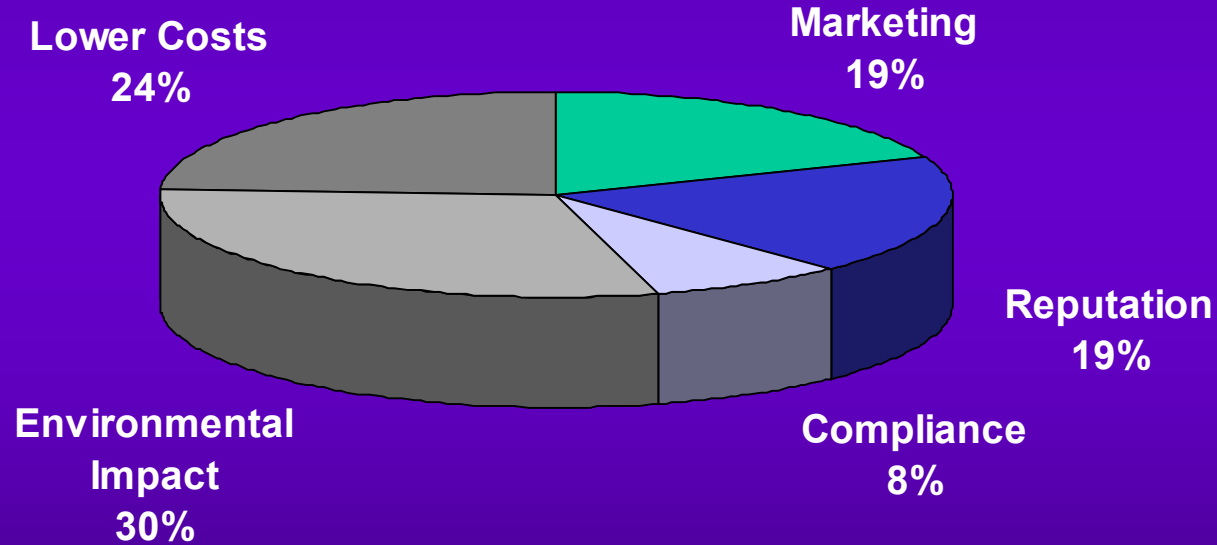
Interpretation

Top Perceived Barriers to Becoming “Environmentally Friendly”



Source: Hagler Bailly Hotel Industry Survey

Motivation for Environmental Action

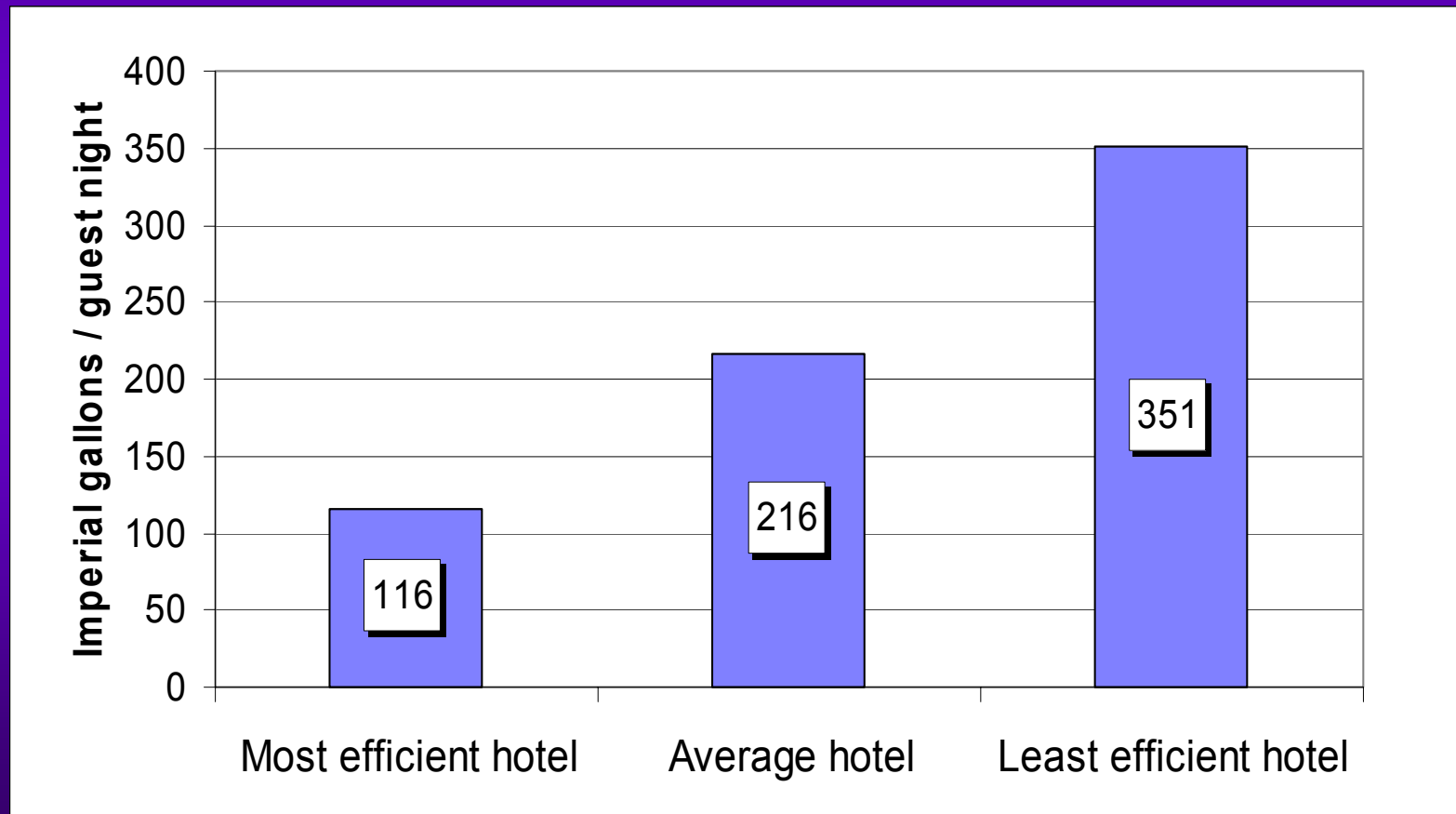


Source: Hagler Bailly

Environmental Audits

General Findings:

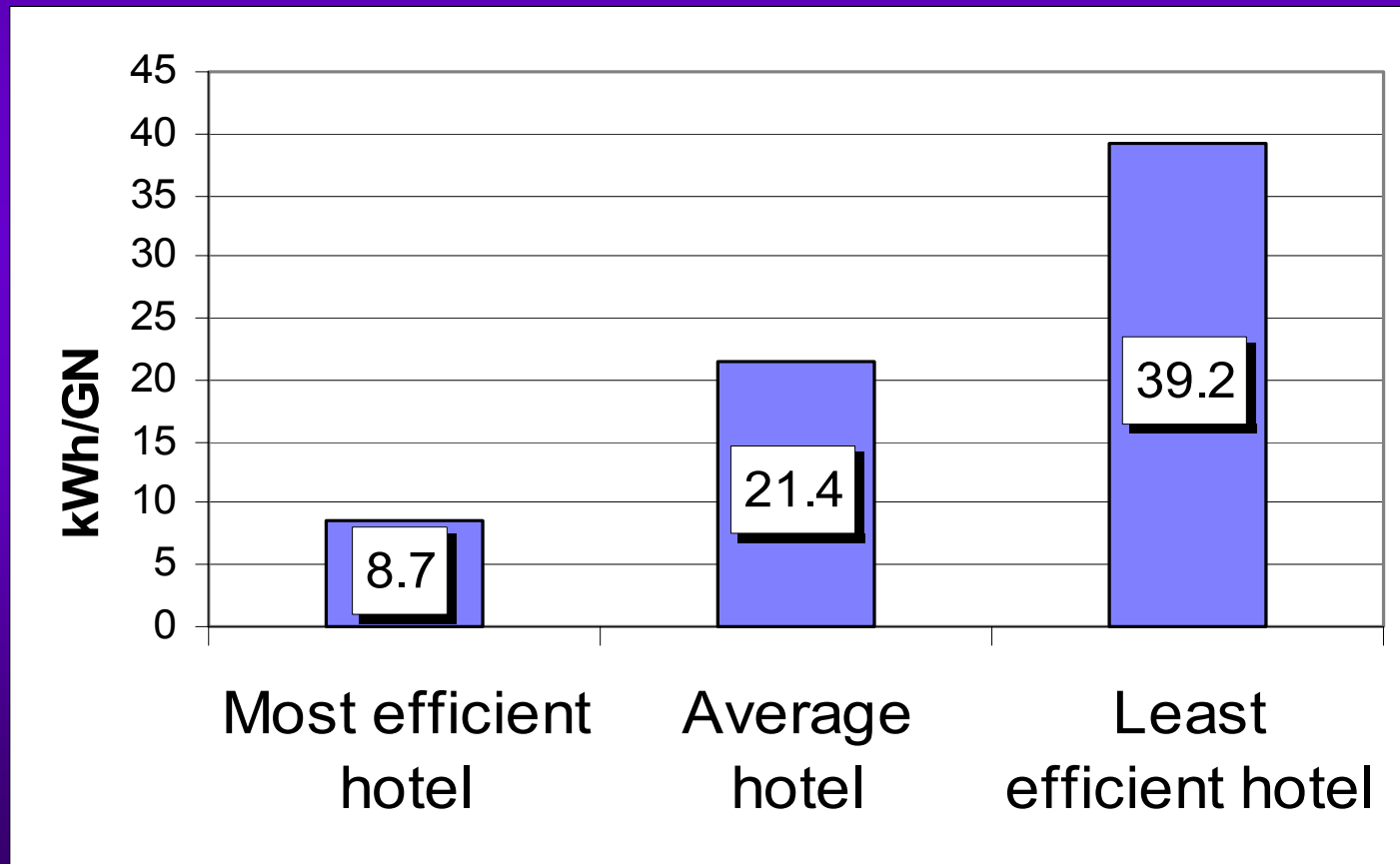
- Water use in properties audited by Hagler Bailly



Environmental Audits

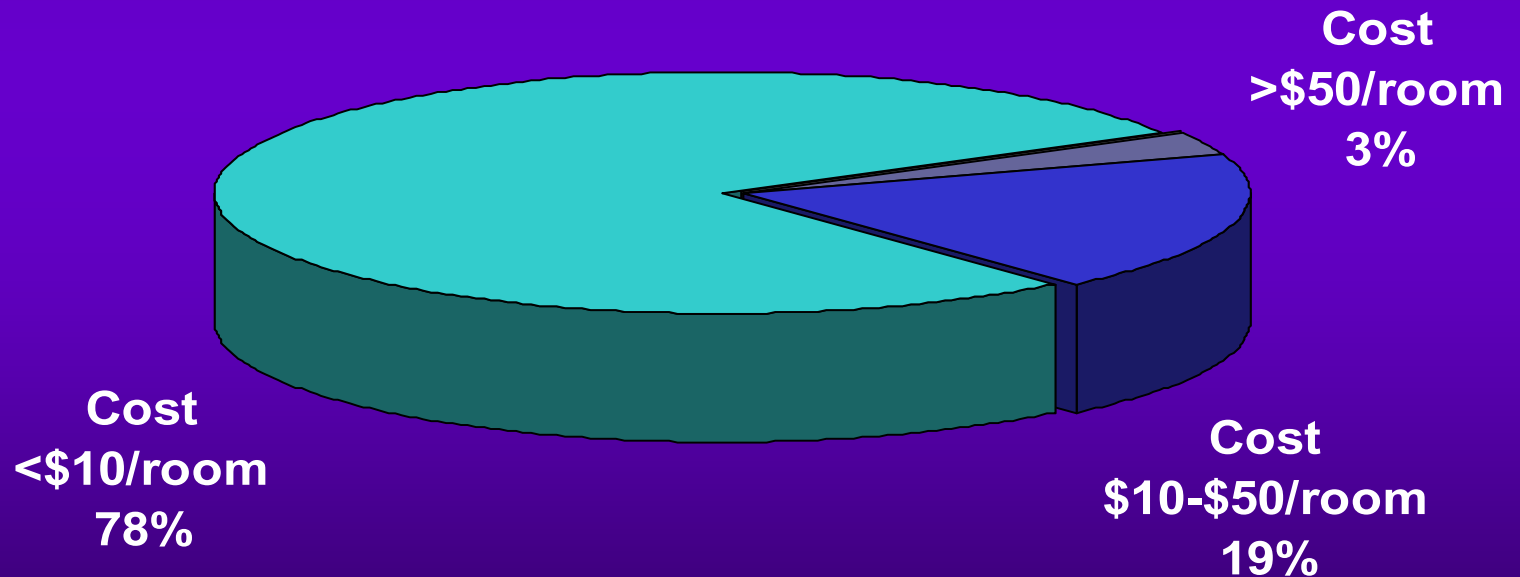
General Findings:

- Electricity use in properties audited by Hagler Bailly



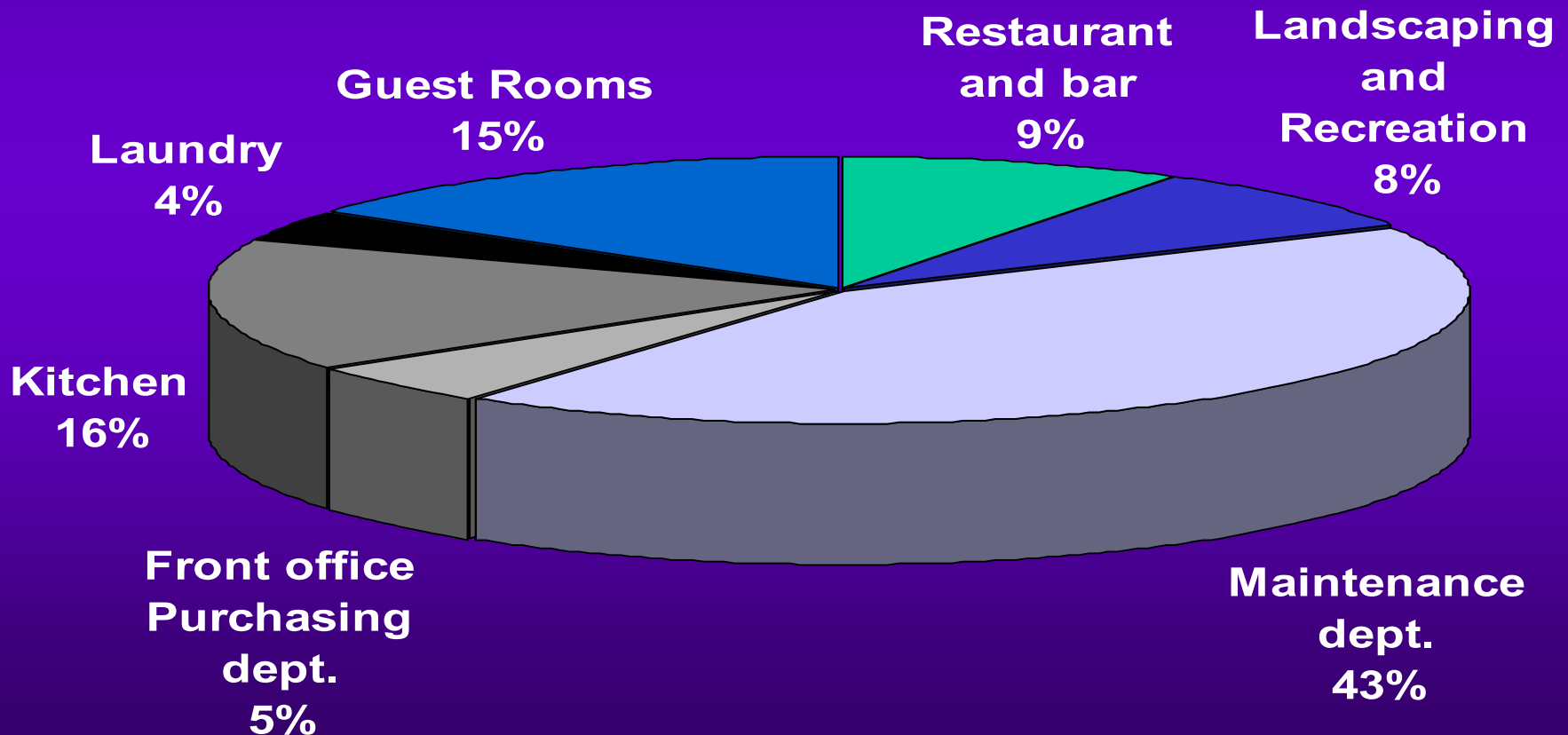
Environmental Audit Results for an Average Hotel

Breakdown of recommendations by implementation cost



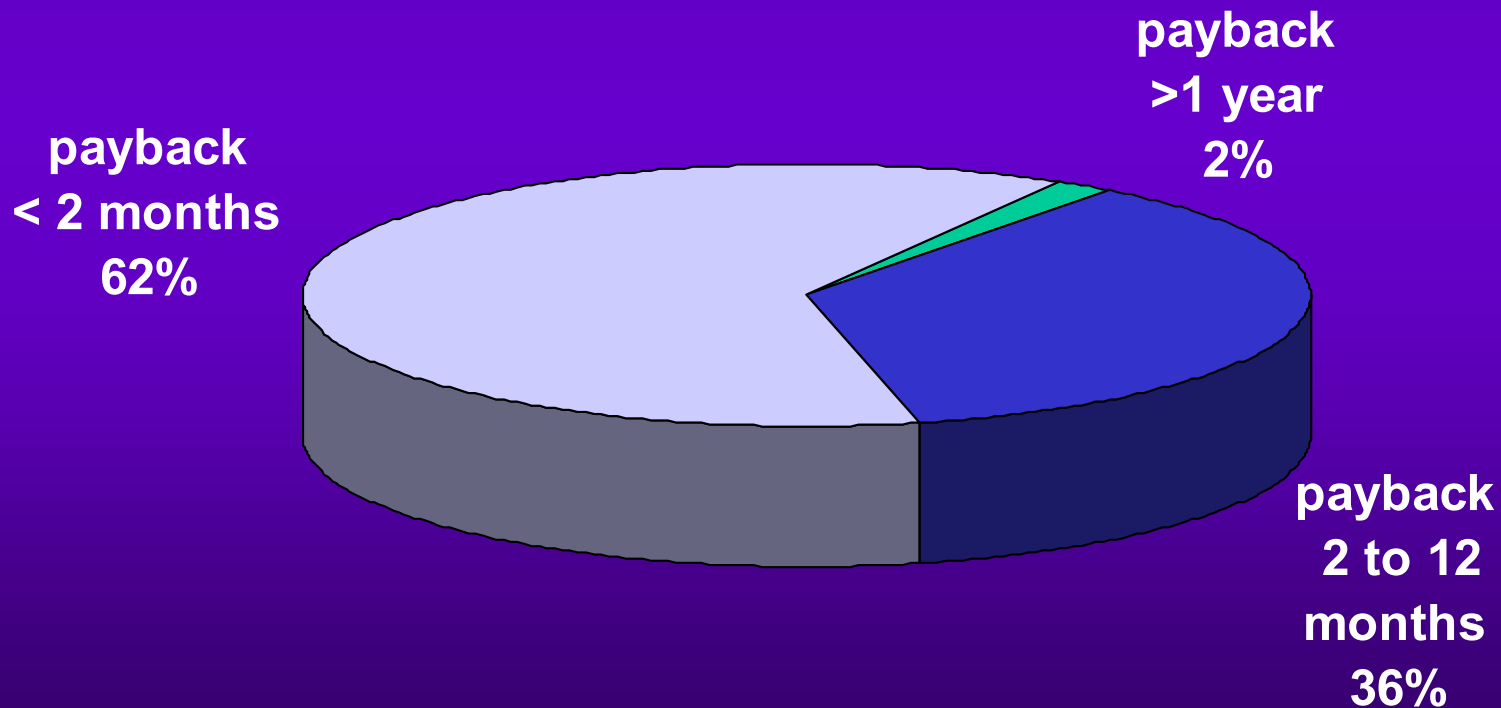
Summary of Environmental Audit Results for an Average Hotel

Breakdown of recommendations by area of activity



Summary of Environmental Audit Results for an Average Hotel

Breakdown of recommendations by payback period



Annual Payback for one hotel: \$250,000/yr

Scope of Assignment

Design a fund to meet the financing needs of the Caribbean tourism industry, consistent with priorities and resources of regional partner institutions

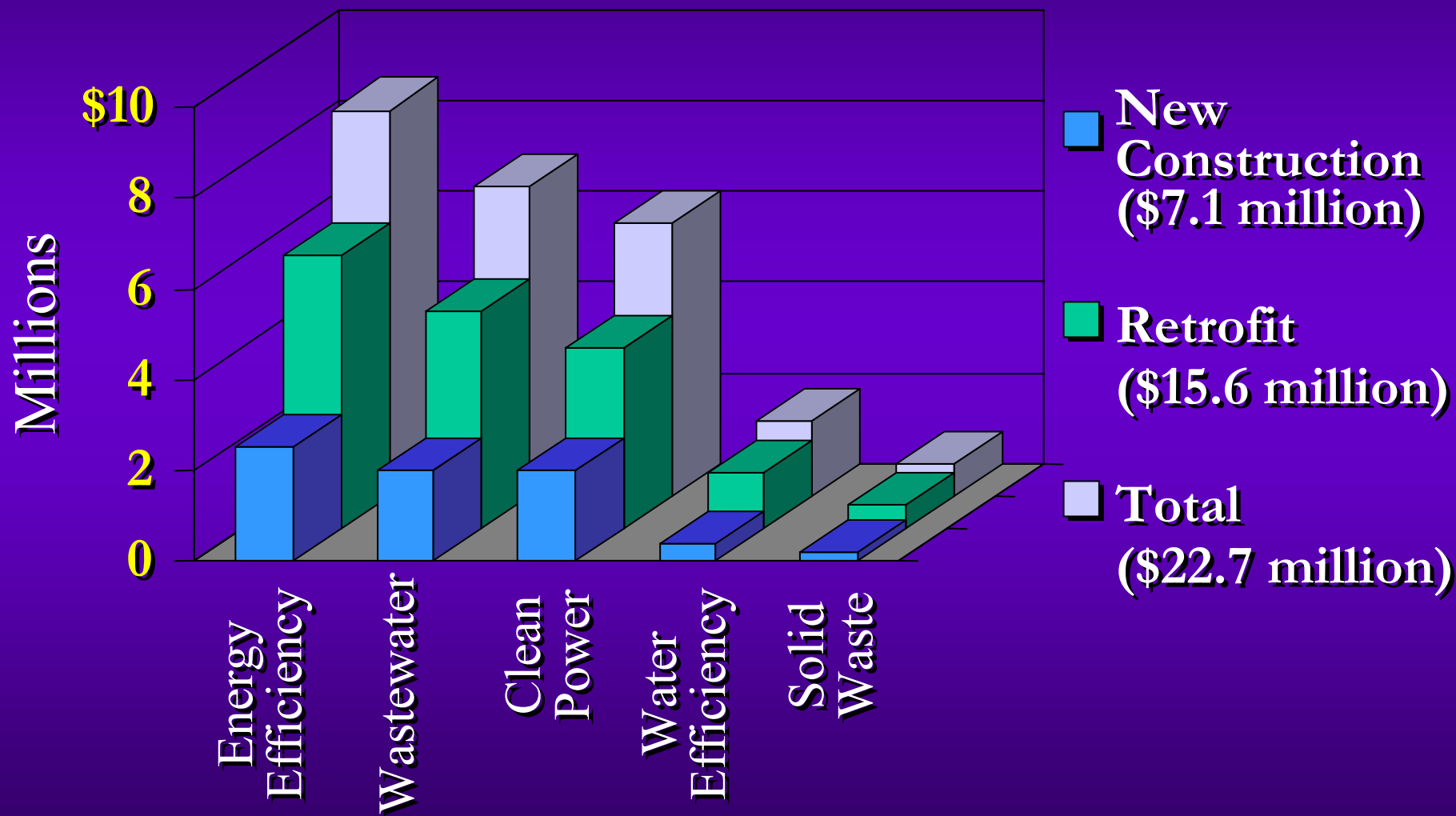
- Baseline Condition Assessment
- Fund Objectives
- Design Parameters
- Alternative Fund Structures
- Roles of Partner Institutions
- Next Steps

Baseline Conditions

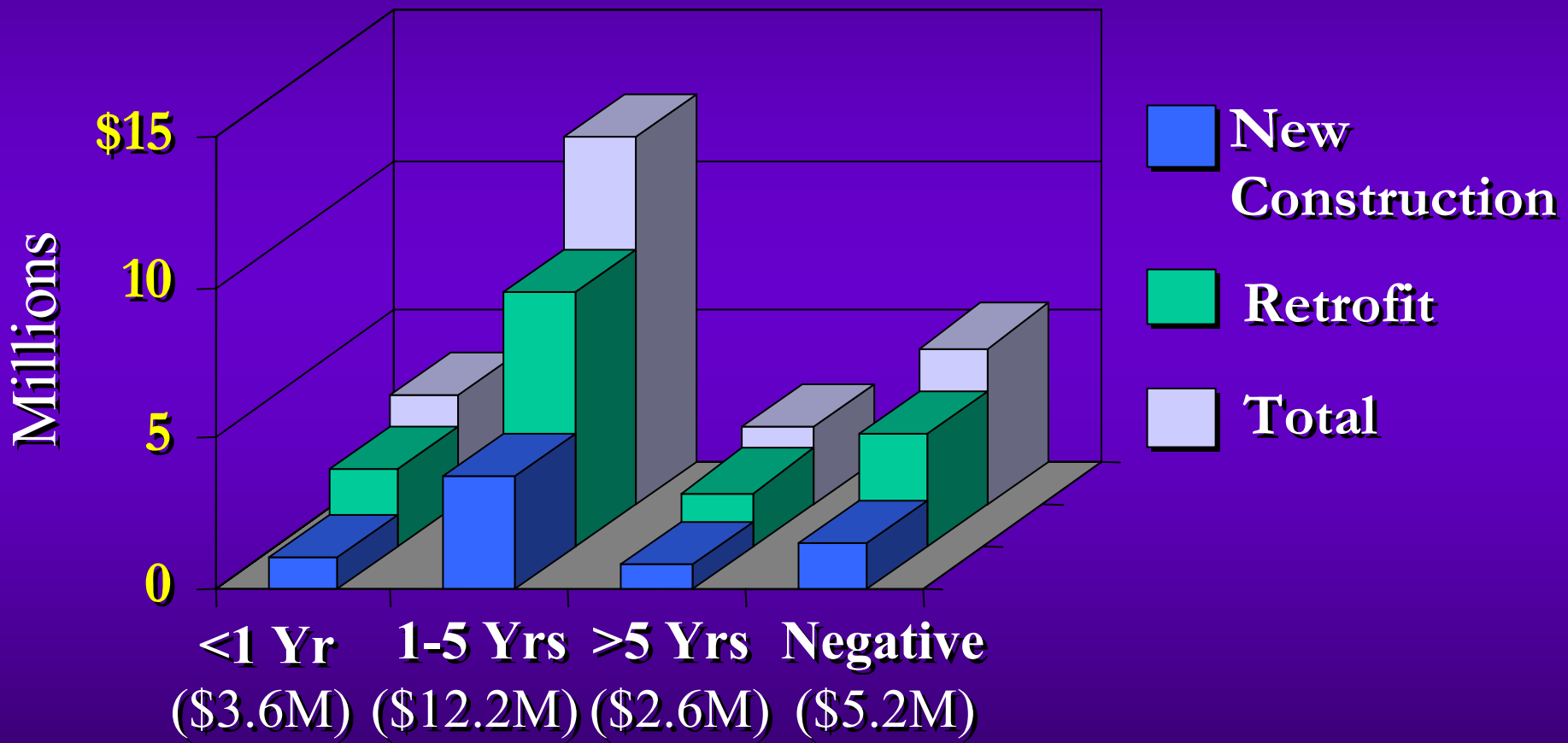
- Fund only hotel and tourism facilities, not municipal infrastructure: Other sectors may follow
- Post-project auditing is important
- Fund should revolve (loans preferred over grants)
- Subsidized forms of credit OK
- Administrative costs should be separable and limited
- The fund would operate multi-locally and disburse credit in local currencies.

**CHANGE IS BASED
ON AWARENESS**

Snapshot of Demand



Snap-Shot of Pay-Back Periods



Investment Horizon: Generally less than five years*

Source: Hagler Bailly, 1999

Environmental Savings Equates to RevPar

E.g.. Adding Several Hundred Room Nights
Revenue...

Key Issue: Depth of Market

- Deal flow for:
 - D.D. Cost for Small Properties \$25k
 - D.D. Cost for Medium size properties \$100k
 - D.D. Cost for Large Properties \$135k
- Benchmarks
- Barriers
- Gaps and Opportunities

Fund Objectives

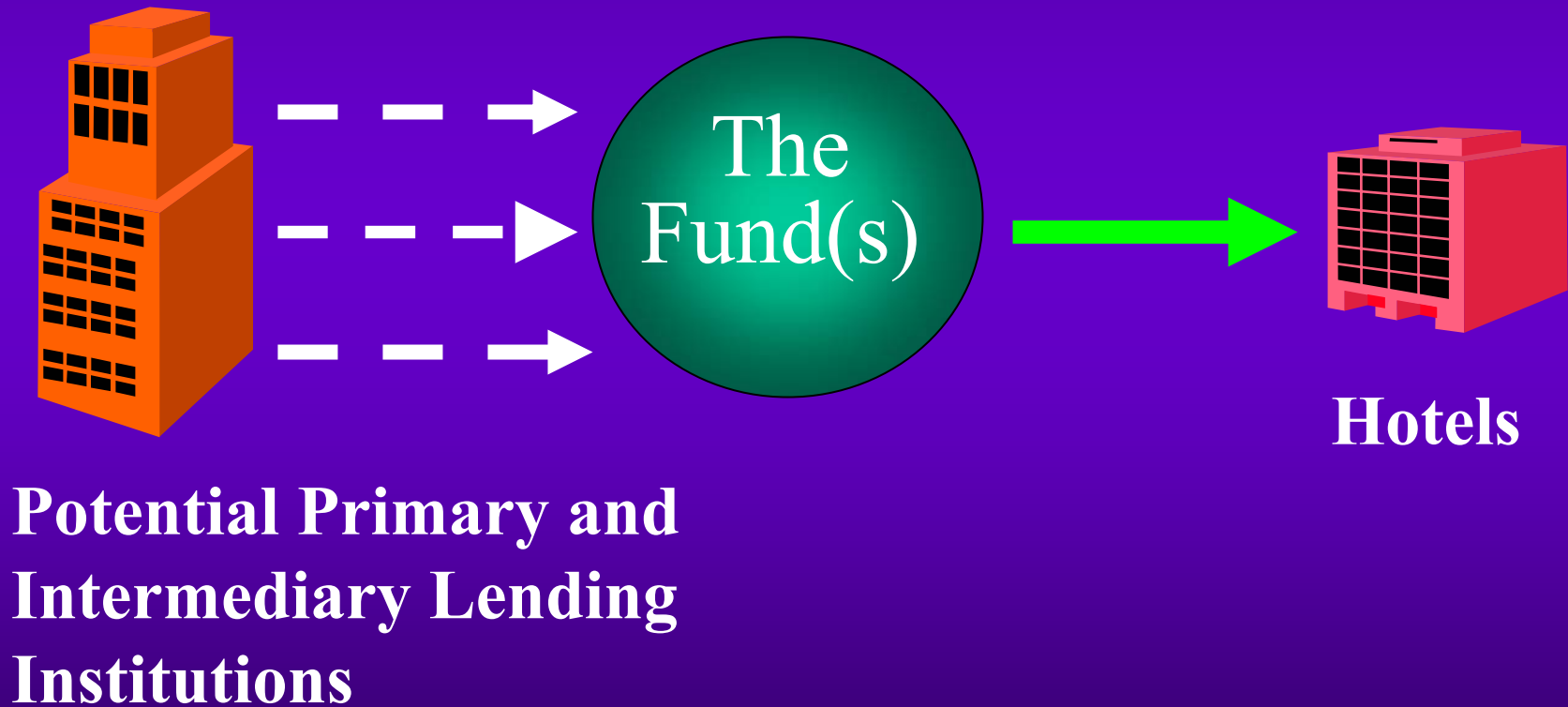
- Focus on retrofitting small to medium sized hotels with energy and water use efficiency equipment (70 percent retrofit, 30 percent new build)
- Furnish grants for audits & feasibility studies
- Examine potential for equity financing of new developments
- Examine mezzanine/venture capital for small-medium sized environmental businesses serving tourism

Design Parameters

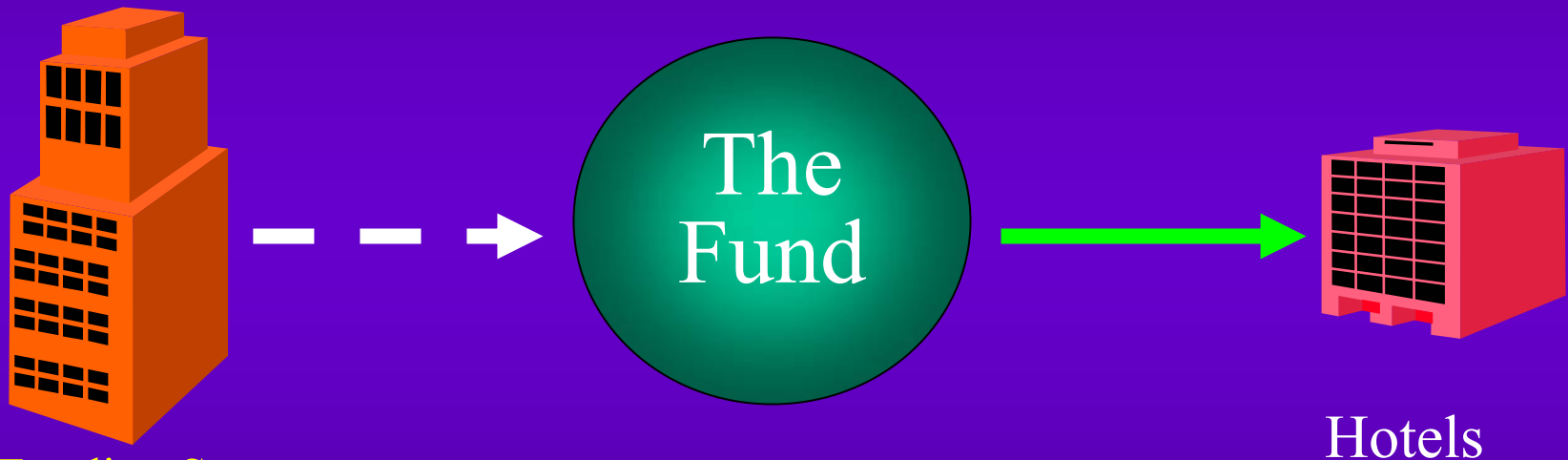
Demand-Side Issues

- Geographic coverage and management issues
- Investment size and depth of deal flow
- Co-financing/cost sharing position options
- Ownership issues, borrower credit, debt coverage ratios, and related issues

Alternative Structures: Direct Lending



Alternative Structures: Promotion of Existing Sources of Credit



Funding Sources:

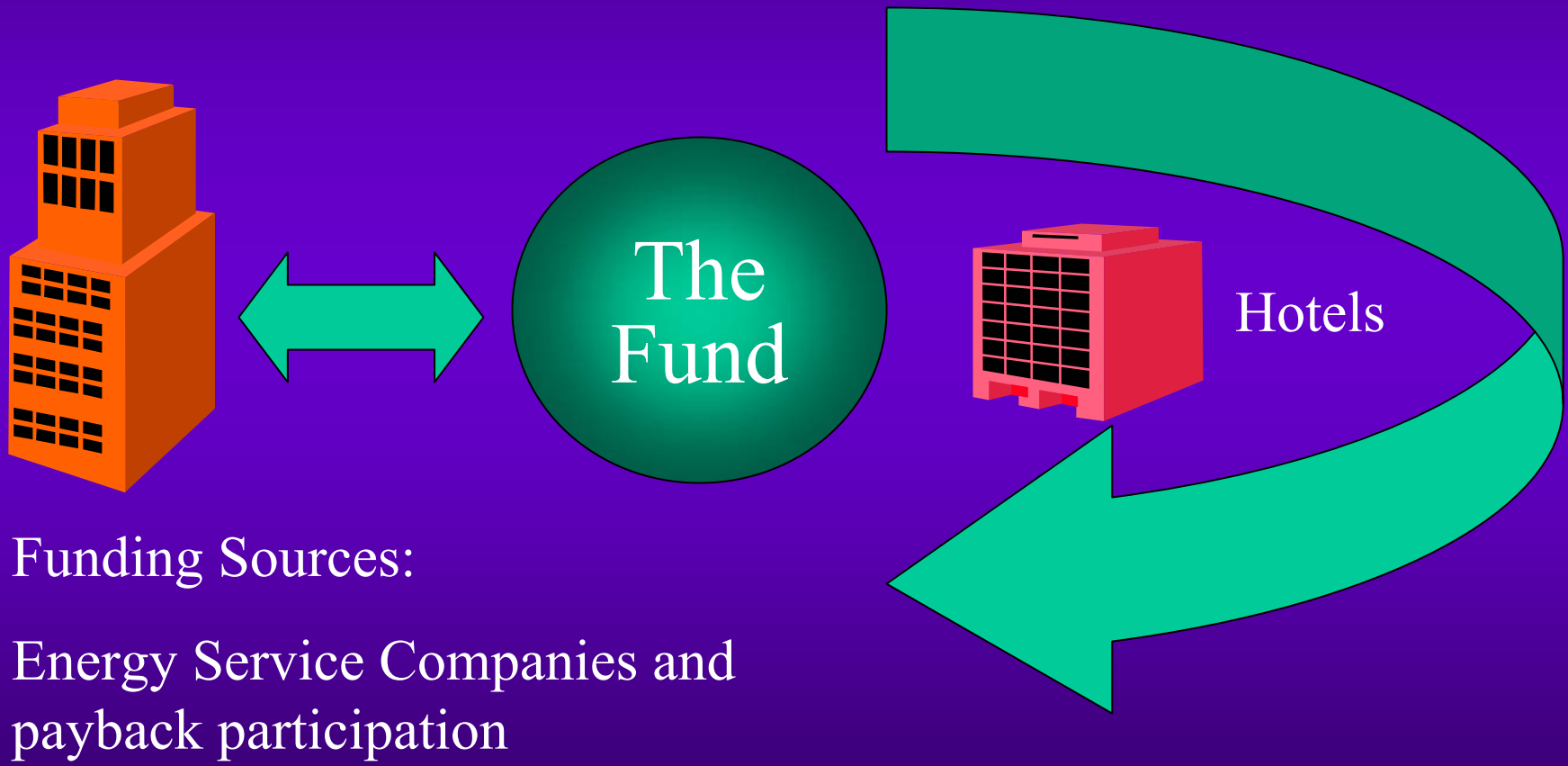
Existing Structures

Hybrids: Convertibles

And influential equity stakes

New Models

Alternative Structures: Funding an ESCO Industry



Type and Source of Financing

<u>Type</u>	<u>Source</u>
Working capital	Cash flow
Credit	Equipment suppliers
Debt (recourse/non)	Export-import banks
Equity	Development banks
Grants/Convertibles	Commercial banks
Tax Incentives	Special purpose funds
	Conservation organizations
	International donors

Roles of Partner Institutions

- **CAST:** educate membership to stimulate demand
- **Multilateral, regional and local organizations:** capitalize the fund
- **Organization/Specialists:** train auditors: locally or via long distance
- **Tax Incentives and Regulatory Hammers:** set performance standards, provide assistance, facilitators and monitors

DISCOVERY STAGE
TO
ACTION

Next Steps

- Seek feedback from partner institutions and hoteliers
- Build fund model(s)*
- Prepare operations procedures
- Prepare staffing plan(s)
- Prepare prospectus
- Secure fund manager(s)
- Road show to sources of capital
- Close and initiate operations



Questions